



# FUND MANAGER CODE OF CONDUCT & PROFESSIONAL STANDARDS

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Table of Contents

- 1. Introduction ..... 3
- 2. Governance and Oversight ..... 4
- 3. General Principles of the Code of Conduct..... 8
- 4. Compliance with Applicable Laws & Best Practices ..... 15
- 5. Relationship with Investors ..... 18
- 6. Relationship with Investees ..... 20
- 7. Conflicts of Interest..... 20
- 8. Performance Measurement and Reporting..... 23
- 9. Legal Agreements ..... 24
- 10. Media Engagement ..... 24
- 11. Industry Surveys..... 25
- 12. Advertising ..... 25
- 13. Disclosure & Whistleblowing ..... 25
- 14. Commitment to the Code of Conduct ..... 29
- 15. Review of the Code of Conduct ..... 30

## **1. Introduction**

The Private Equity and Venture Capital Association in Nigeria (“PEVCA” or “Association”) is the industry advocacy body promoting private equity (“PE”) and venture capital (“VC”) in Nigeria focused on fostering an enabling environment for PE-VC ecosystems to thrive. PE and VC firms have and continue to have the potential to be significant and responsible contributors to the Nigerian and the African economy. Additionally, PE and VC firms have a critical role to play in supporting the development of safe and sound financial practices which increase the efficacy and efficiency of the financial industry and other sectors within the Nigerian economy.

### **1.1 PEVCA’s Primary Objectives**

The primary objectives of PEVCA are as follow:

- Champion the interests of its members (“Members”) on matters relating to PE and VC
- Drive general and regulatory advocacy
- Foster awareness and knowledge development of the asset class through research, trainings, capacity building initiatives
- Host networking events and other industry themed functions, and
- Promote alignment towards best ethical and investment practices.

In line with PEVCA’s purpose and vision, this Code of Conduct and Professional Standards (“the Code” or “Code of Conduct”) has been developed to lay the foundation of expectations for participants in the Nigerian PE-VC ecosystem. It is intended to help fund managers demonstrate their firm commitment to transparency within their business conduct.

### **1.2 PEVCA Mission and Principles**

PEVCA’s mission is to represent the collective interests of its Members and associate network with the primary objective of promoting the PE and VC asset class in Nigeria.

PEVCA’s guiding principles leverage the six principles outlined by Invest Europe and the European Private Equity and Venture Capital Association (“EVCA”):

1. Act with Integrity
2. Keep your Promises
3. Disclose Conflicts of Interest
4. Act in Fairness
5. Maintain Confidentiality
6. Do no Harm to the Industry

### **1.3 Purpose and Application of Code of Conduct and Professional Standards**

The purpose of this Code of Conduct is to prescribe the essential behaviour, expectations and standards that PEVCA signatories must abide by in the day-to-day management of their business, portfolio companies and business engagements. This Code is aligned with the Nigerian Code of Corporate Governance (2018) and all Members are required to abide by the practices and principles outlined in this Code as well as the Nigerian Code of Corporate Governance.

## **2. Governance and Oversight**

PEVCA’s governance structure is composed of a seven (7) person Board supported by the Executive Secretary.

### **2.1 Corporate governance and Professional standards – PEVCA**

The PEVCA Board has the ultimate responsibility for promoting this Code of Conduct, and for the integration and implementation of this Code into PEVCA’s strategy and into other relevant processes and practices of PEVCA. Practical implementation of the Code is the responsibility of the Executive Secretary.

**2.2 Compliance and Enforcement**

This Code applies to PEVCA, all PEVCA Members, their employees and Directors (“Covered Persons”). Any breach of this Code shall constitute misconduct which shall be dealt with directly by PEVCA’s Board. In the event a PEVCA Board Director is found in breach of the Code, they will be temporarily suspended to allow the Board time to evaluate and arrive at a consensus relating to the situation.

In the event of actions by Covered Persons believed to be in breach of this Code of Conduct within PEVCA, or any other policies outlined in this Code, a report must be made to the Executive Secretary or any member of the Board as soon as possible.

In the event the breach occurs within a Member’s organisation, it will be handled internally by the organisation in accordance with their policies. If the breach is material or can significantly impact PEVCA or the PE-VC industry, the Member is required to disclose this to the Executive Secretary as soon as possible and no later than 72 hours of becoming aware of the material event. Please refer to the [Disclosure and Whistleblowing](#) section below for more details.

When a complaint is lodged through PEVCA’s Whistleblowing mechanism, guidance on how the complaint will be managed is detailed below. Please note this is not a comprehensive list of disclosures and management recommendations.

Disclosure Examples	Sample Actions	PEVCA’s Assessment
(a) A Member organisation’s employee lodges a complaint against a fellow employee (C-Suite or below).	PEVCA’s Executive Secretary to pass on disclosure to Member organization who will manage it internally based on their whistleblowing and grievance framework.	Member organization to provide regular updates including a final update detailing how disclosure was managed and outcomes.
(b) Disclosure on a material breach.	PEVCA’s Board to mobilise their Ethics and Professional Standards Sub-Committee to review disclosure.	PEVCA’s Board to evaluate and implement Ethics and Professional Standards Sub-Committee recommendations.

PEVCA CODE OF CONDUCT & PROFESSIONAL STANDARDS

Disclosure Examples	Sample Actions	PEVCA's Assessment
(c) A complaint of a material nature as defined by the relevant regulator.	The relevant regulator may need to lead on the investigation.	PEVCA's decision to align with regulator's recommendations.
(d) A PEVCA Board Director has a complaint lodged against them.	PEVCA Board Director to be placed on temporary suspension while PEVCA's Board evaluates the situation.	PEVCA's Board to arrive at a decision and implement.
(e) A PEVCA employee has a complaint lodged against PEVCA.	Disclosure to be managed internally by PEVCA based on PEVCA's internal whistleblowing and grievance framework.	PEVCA's Board to be provided with regular updates including a final update detailing outcome.

**Determining Materiality:** Ethics committee to assess severity and materiality of the identified breach. Reliance to be placed on information available to the committee. Any recommendation made to the Board on disciplinary actions to be in line with materiality. Examples of material breaches and possible responses include, but are not limited to:

Example of Breach	Within PEVCA	Within PEVCA Member Organisation
(a) Disclosure or misuse of confidential information, trade secrets or intellectual property of the fund manager and/or third parties who have disclosed this information to the fund manager	<p><b>First Offence</b> – Warning given to PEVCA employee.</p> <p><b>Second Offence</b> – Suspension of 2 months without pay.</p> <p><b>Third Offence</b> – Employee to be permanently disengaged from PEVCA.</p>	<p><b>First Offence</b> – Suspended as a Member organization for 3 months.</p> <p><b>Second Offence</b> – Suspended as a Member organization for 9 months.</p> <p><b>Third Offence</b> – Permanently disbarred from PEVCA.</p>
(b) Insider trading	<p><b>First Offence</b> – Warning given to PEVCA employee.</p> <p><b>Second Offence</b> – Suspension of 2 months without pay.</p>	<p><b>First Offence</b> – Suspended as a Member organization for 3 months.</p> <p><b>Second Offence</b> – Suspended as a Member organization for 9 months.</p>

PEVCA CODE OF CONDUCT & PROFESSIONAL STANDARDS

Example of Breach	Within PEVCA	Within PEVCA Member Organisation
	<p><b>Third Offence</b> – Employee to be permanently disengaged from PEVCA.</p>	<p><b>Third Offence</b> – Permanently disbarred from PEVCA.</p>
(c) Activities in violation of the Code of Conduct	<p><b>First Offence</b> – Warning given to PEVCA employee.</p> <p><b>Second Offence</b> – Employee fined and suspended 2 weeks.</p> <p><b>Third Offence</b> – Employee to be permanently disengaged from PEVCA.</p>	<p><b>First Offence</b> – Suspended as a Member organization for 3 months.</p> <p><b>Second Offence</b> – Suspended as a Member organization for 9 months.</p> <p><b>Third Offence</b> – Permanently disbarred from PEVCA.</p>
(d) Engaging in criminal activities such as money laundering	<p><b>First Offence</b> – Suspension of 2 months without pay.</p> <p><b>Second Offence</b> – Employee to be permanently disengaged from PEVCA.</p>	<p><b>First Offence</b> – Member organization permanently disbarred from PEVCA.</p>
(e) Falsifying management accounts	<p><b>First Offence</b> – Employee to be permanently disengaged from PEVCA.</p>	<p><b>First Offence</b> – Member organization permanently disbarred from PEVCA.</p>

## 2.4 Waiver

In addition to regulations outlined by the Central Bank of Nigeria (“CBN”) and the Securities and Exchange Commission (“SEC”) (Nigeria) as well as other applicable legal and regulatory requirements within their markets of operations, Members agree that the performance of their activities shall at all times comply with the procedures established

in this Code. Members are required to confirm this annually in writing to PEVCA as part of their membership renewal.

This Code does not override or supersede any applicable legislation and regulations, even if such are issued subsequent to the Code entering into effect and conflict with the provisions herein. In the event of any inconsistency between the rules set forth in this Code and legal or regulatory norms, the respective provisions in this Code shall be disregarded, without any limitation on the continued effectiveness of the remaining rules contained herein.

### **3. General Principles of the Code of Conduct**

In line with PEVCA's commitment to leveraging best practices, PEVCA has aligned its General Principles for the Code of Conduct with the principles outlined by EVCA and the U.S. Securities and Exchange Commission. All Covered Persons will:

- a. Comply with all applicable laws in Nigeria and countries where they operate, invest, and raise funds.
- b. Not undertake actions in contravention of any applicable laws or regulations.
- c. Adhere to the highest standards of ethical conduct and professional standards including those outlined in this document – the PEVCA Code of Conduct and Professional Standards - and any other standards issued from time to time by PEVCA's Board of Directors.
- d. Require their directors, employees, and representatives to abide by this Code of Conduct.
- e. Conduct business in a professional way and not engage in practices that may be damaging to the image and reputation of PEVCA.
- f. Treat all its stakeholders fairly, with respect, dignity, and integrity
- g. Not malign, defame, or unfairly criticize any other Member or associate or management or the Board of PEVCA in any dealings with proposed client companies, investees or otherwise.

## PEVCA CODE OF CONDUCT & PROFESSIONAL STANDARDS

- h. Not misuse or abuse their position of trust and responsibility or take inappropriate advantage of his or her position within PEVCA or Member organisations.
- i. In business dealings, identify potential or actual conflicts of interest which will impede their ability to meet their fiduciary duties and disclose them to all parties involved.
- j. Fully disclose all relevant information when sponsoring investment syndications with other parties, whether or not they are PEVCA Members.
- k. Respect confidential information supplied to them by companies seeking private equity or venture capital or by companies in which they have invested.
- l. Ensure the continuing confidentiality of all information obtained over the course of employment even after the end of employment.
- m. Not engage in any form of self-dealing or use funds to promote their own interests or the interests of their directors, managers, employees and representatives, except to the extent that they benefit from the success of such funds through established compensation and/or profit-sharing contracts.
- n. Raise concerns surrounding any unethical behaviour or actions of PEVCA, its Members or its employees to PEVCA's Ethics and Professional Standards Sub-Committee or Members' Chief Compliance Officers directly or through their respective whistleblowing channels.

### **3.1 Conduct Principles**

In accordance with established global governance standards, the Code provides principles to inform Covered Persons in the performance of their role in three key areas. These principles embody the responsibilities and obligations that Members commit toward:

- a. Their own entity;
- b. The Profession; and
- c. PEVCA.

The Code provides Members with guidance for values-based conduct and decision making throughout their business engagements. These ethical principles are an important reference

point for Members and should form the basis for the ethical and effective performance of their day to day conduct within the execution of their roles and responsibilities.

### **3.2 Respect, Integrity, Fairness, Honesty & Ethical Conduct**

PEVCA requires all its Members covered by this Code, including employees of those organisations, to treat each other and all PEVCA's stakeholders with respect and deal with them in a fair, honest and ethical manner. They will be respectful during interactions and will not take unfair advantage of another through manipulation, concealment, spreading of rumours, harassment, misrepresentation of facts, abuse of privileged information or any other unfair and unethical practices as part of their business dealings or PEVCA engagements.

Members also may not receive, solicit, provide, offer, or promise bribes or kickbacks in any form directly or indirectly. All Members are required to act with integrity and ethically in all their business engagements. Failure to comply will result in a review of their employment/Membership status as outlined in [Section 2. Governance and Oversight](#).

### **3.3 Equal Opportunities**

PEVCA and its Members are committed to providing fair and equitable workplaces for their employees with respect to hiring and advancement opportunities. PEVCA also encourages diversity and inclusive practices within its Members. Decisions pertaining to selection, promotion, compensation, discipline, and termination will be bias-free and made based on merit, qualifications, and the abilities of its employees. Under no circumstances will the race, age, gender, caste, sexual orientation, political affiliation, or socio-economic status of an individual be considered within its decision-making process. All Members are required to reflect this guidance within their hiring and advancement practices.

Additionally, the selection of the PEVCA Board will also reflect the principle of equal opportunity.

### **3.4 Harassment**

PEVCA takes a zero-tolerance approach to harassment and discrimination within its workplace and that of its Members. PEVCA strives to provide a professional and harmonious work environment for its employees and Members and encourages its Members to adopt similar policies and practices. PEVCA employees and Members are required to respect their colleagues and treat one another with courtesy, consideration, and professionalism throughout the performance of their duties and engagements.

Members, their officers, and employees have a role to play in helping prevent harassment and discrimination. If anyone witnesses or is privy to incidents of harassment and/or discrimination in any form, they should intervene and/or inform a senior member of staff as soon as they become aware of the situation. Alternatively, witnesses or persons being harassed are welcome to reach out for help using PEVCA's [whistleblowing hotline](#).

### **3.5 Political Lobbying**

PEVCA respects the private interests of its employees and Members. Similarly, PEVCA and Covered Persons are required to respect the political views and affiliations of their fellow Members and staff. However, PEVCA does not condone engaging in party-specific political lobbying on its premises or at events and engagements where PEVCA or its Members are present.

### **3.6 Safeguarding Investor Interests/ Fiduciary Obligations to Investors**

Each Member has a fiduciary obligation to their investors and the funds they manage on their investors' behalf. Members have an obligation to act in good faith and in the best interests of their investors by disclosing all material facts in a full and fair fashion, especially when the interests of the Member conflicts with that of its investors. Potential or actual

conflicts involving them and/or their family members are to be reported to Member's Chief Compliance Officer, if applicable, as soon as possible. The Chief Compliance Officer, or other similar executive, will determine a way forward and inform the relevant stakeholders including investors where necessary.

In the event of a significant or material breach, the Member's Chief Compliance Officer, or other similar executive, is required to inform the Executive Secretary as soon as possible and no later than 24 hours of becoming aware of the breach. The Executive Secretary will inform PEVCA's Board and engage with the relevant individuals within PEVCA to address the impact on PEVCA and the PE-VC industry.

Members should also be aware of the full extent of their obligations to investors. Employees of Member organisations who sit on the boards of portfolio companies have to be aware of their fiduciary duties to the portfolio company and the investors when they accept such positions as these obligations can sometimes be in conflict. In the event of a conflict, the individual is required to inform their respective Chief Compliance Officer, or similar executive, and provide details on the conflict and how they handled the conflict (e.g. the way they voted on a resolution, abstained from voting or excused themselves from the discussion).

### **3.7 Ethical and Responsible Decision Making & Investments**

PE and VC investing requires the adoption of a risk management approach. Members in their respective organisations should develop responsible investment policies by embracing environmental, social and governance ("ESG") principles and practices and appropriate growth strategies to build sustainable value within their portfolio Companies by:

- a. Governing decision-making within an appropriate risk management framework;
- b. Embedding a culture of fair and honest dealings; and,

- c. Establishing internal management and reporting systems to ensure responsible and rigorous business practices in accordance with these policies, strategies and culture.

PEVCA Members are encouraged to develop and implement ESG policies and practices in their PE and VC activities. Members are also encouraged to disclose publicly (including, but not limited to their website) their investment and operational policies as well as the practices they have developed or adopted to support the ongoing management of their portfolio companies.

### **3.8 Effective Management**

Members are required to demonstrate leadership, responsibility and accountability for effective and robust corporate governance regimes within their fund vehicles and portfolio companies by ensuring that Members:

- a. Embed and promote corporate governance policies and procedures, compliance systems and reporting structures within the management of their funds and portfolio companies.
- b. Have management teams composed of appropriately qualified and competent executives, with the necessary diversification of skills, talents, and experience.
- c. Demonstrate a shared understanding and awareness of its approach to corporate governance principles and responsibilities amongst their management teams, personnel, and the management teams of their portfolio companies.
- d. Have an open and effective communication mechanism between themselves and the management teams of their portfolio companies to ensure the timely and effective exchange of information to support their review and governance of these companies.
- e. Support the development of strong corporate governance structures and boards within portfolio companies which are composed of appropriately qualified and competent directors, who:

- i. Understand their statutory and common law duties to act in the best interest of the company;
- ii. Have the resources to provide strategic guidance to the company; and
- iii. Can effectively supervise and review the performance of management, including oversight of risk management.

### **3.9 Stakeholder Interests**

It is important to understand that individuals and groups behave differently in different situations. The impact stakeholders can have on organisational policy, strategy, and project is dependent on their relationship with either the organisation itself or the issues of concern, or both.

PEVCA believes that it is critical for its Members to cultivate a culture of deep and continual engagement with their stakeholders who are material to their business. The practice of broad and consistent stakeholder engagement is essential to building sustainable portfolios and achieving the goal of maintaining a good relationship with various investors globally, while creating long-term value for stakeholders and society in general.

To achieve this, Members are responsible for:

- a) Identifying and, to the extent they are able to, effectively managing the diverse interests of all stakeholders at both the fund and portfolio company levels to achieve appropriate results in the development and growth of their portfolios.
- b) Identifying the way those stakeholders' legitimate interests may be affected by the business' operations and their investment decisions.

### **3.10 Promoting Long-term Interests of the Industry**

The objective of PEVCA is to promote the recognition of the industry as a professionally managed and ethical sector of Nigerian Investors, Fund Managers, Limited Partners, Financial Institutions, and their associates. To achieve this, Members should:

- a. Always strive to be good corporate citizens and promote the benefits of corporate social responsibility.
- b. Embed the highest corporate governance practices in accordance with national regulations i.e. Nigerian Code of Corporate Governance (2018) and Codes of Corporate Governance for Other Financial Institutions in Nigeria as well as other national and international best practices.
- c. Promote the importance of continuing education, training, and professional development for participants in the industry.

#### **4. Compliance with Applicable Laws & Best Practices**

PEVCA complies with all applicable laws and regulations. PEVCA also requires its Members to be aware of and adhere to all applicable legal and regulatory provisions, best practices and rules of professional conduct. Members are also required to engage with regulators in an open manner.

In addition, Members' portfolio companies are required to meet all applicable laws and regulations within each of their markets of operation. PEVCA and its Covered Persons are required to adhere to the following regulations and standards, including but not limited to some of the following:

- Nigerian Code of Corporate Governance (2018)
- Code of Corporate Governance for Other Financial Institutions in Nigeria
- Code of Corporate Governance for Banks and Discount Houses in Nigeria
- OECD<sup>1</sup> Convention Against Bribery
- UN<sup>2</sup> Convention Against Corruption
- UK Bribery Act
- Foreign Corrupt Practices Act

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<sup>1</sup> OECD – Organisation for Economic Co-Operation and Development

<sup>2</sup> UN – United Nations

- FATF's<sup>3</sup> International Standards on Combatting Money Laundering and the Financing of Terrorism & Proliferation
- UN Human Rights Code
- ILO's<sup>4</sup> Core Labour Standards
- OFAC's<sup>5</sup> Financial Sanctions Programs
- UN Security Council Consolidated List of Sanctions

#### **4.1 Anti-Bribery and Corruption (“ABC”)**

Corrupt practices are detrimental to the social and economic development of a country. According to the African Development Bank, an estimated US\$ 148 billion is lost to corruption in Africa alone every year.

PEVCA takes a zero-tolerance approach to corrupt practices including the offering or receiving of bribes in any form. All PEVCA's employees and Members are expected to conduct themselves with integrity, impartiality and honesty during the course of their work and business dealings. It is prohibited to offer, facilitate or give bribes in all its forms, indirectly or otherwise, in the private or public sector as a reward, inducement or encouragement for preferential treatment. Bribes include payments in money, gifts, entertainment, political contributions, lavish hospitality or any other means whether directly or indirectly.

Even the promise of such payments, directly or indirectly including, but not limited to, to family or extended family members, a charity or a labour organisation as a way to induce favourable business outcomes is viewed as improper or dishonest conduct. Furthermore, employees cannot solicit gifts, in-kind payments or entertainment of any type or value. This

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<sup>3</sup> FATF – Financial Action Task Force

<sup>4</sup> ILO – International Labour Organisation

<sup>5</sup> OFAC – Office of Foreign Assets Control

policy prohibits actions intended to improperly influence a decision or action, enhance future relationships or maintain existing relationships.

Stakeholders are required to inform the Chief Compliance Officer in Member organisations or PEVCA directly via their [disclosure and whistle-blower hotlines](#) when they become aware or suspect the occurrence of such unethical practices in Member organisations or within PEVCA.

#### **4.2 Anti- Money Laundering/ Combatting the Financing of Terrorism (“AML/CFT”)**

PEVCA is committed to supporting the efforts of institutions addressing the significant problem of AML/CFT. These are viewed as financial crimes with economic effects. For example, money laundering originates from profit-making crimes such as tax evasion, drug trafficking and market manipulation and generates financial flows that divert resources away from economically productive uses resulting in negative impacts on the financial sector with knock-on effects across the Nigerian economy. AML/CFT controls are essential to mitigate the adverse effects of criminal economic activity and help promote stability and integrity within Nigeria and the Fund Mangers’ markets of operation. PEVCA employees are not permitted, under any circumstances to accept assets which they know or suspect to have been derived through criminal activities.

PEVCA requires its Member organisations to incorporate strong AML/CFT mechanisms into its operations and provide its employees with annual training on AML/CFT, associated regulations, how to identify cases and whom they should report suspected cases of breaches against the organisation’s AML/CFT policies.

Additionally, Members are required to undertake detailed finance and compliance due diligence to ensure potential investee companies are not engaged in money laundering or terrorism financing activities. Each Member organisation is also required to have a Chief

Compliance Officer, or someone in a similar function, who will be responsible for monitoring compliance with AML/CFT requirements.

### **4.3 Sanctions**

PEVCA and its Members commit to not engaging with sanctioned entities, individuals or businesses operating in sanctioned countries as outlined by the Nigerian government, OFAC, the UN Security Council and the European Union Council.

Member organisations are required to ensure potential investee companies are not engaged with sanctioned entities, individuals, or businesses in sanctioned countries through appropriate due diligence to identify potential connectivity between the business and such sanctioned parties. This includes engagement both upstream and downstream of the business (e.g. importing or exporting products from/to sanctioned countries). PEVCA acknowledges that this will be a continuing obligation throughout the investment and holding period for its Members.

Failure to comply with this at all levels can result in investors in Member organisations terminating their commitments to Funds or opting out of transactions. Additionally, this could have long-term consequences such as impeded access to capital due to a lack of trust on the part of investors.

## **5. Relationship with Investors**

Investors, also referred to as limited partners (“LP”), form long-term partnerships with investment managers, also referred to as general partners (“GP”), which forms the basis for how the PE and VC industry operates. With relationships typically lasting at least ten (10) years, high professional and ethical standards are required to be followed in all aspects of the investment and management of the fund.

## PEVCA CODE OF CONDUCT & PROFESSIONAL STANDARDS

PEVCA's Members are required to act in the following manner to ensure the continued trust in this industry within Nigeria by LPs:

- a. GPs are required to act with integrity towards their LPs as well as its other stakeholders.
- b. When marketing their funds in or outside of Nigeria, GPs are required to meet all applicable legal and regulatory requirements in their target markets including in the development of their marketing materials.
- c. The private placement memorandum, the constitutional documents of the fund and information shared via emails and virtual data rooms should contain full and true information in compliance with applicable local laws and should be fair and not misleading.
- d. Fund documents should include the fund's investment strategy, structure, investment powers, reporting commitments to LPs, financial terms, tax considerations and co-investments.
- e. GPs will carry out detailed and in-depth due diligence of potential target or portfolio companies ("Investees") to enable the GP's investment board to make an informed decision and ensure the Investee company is not in contravention of LP requirements as outlined with the GP/LP legal documentation.
- f. GPs will provide timely, full and fair accounts of the management of their investments to LPs, including the reporting of material incidents within itself and within portfolio companies of the fund.
- g. GPs are required to keep records which accurately, completely and fairly document the services provided.
- h. GPs may escalate issues to the Board regarding questions around the integrity of the LPs displayed during the fundraising process or thereafter.

## **6. Relationship with Investees**

PEVCA's Members are required to implement the fund's investment strategy with skill, care and diligence in line with agreements that GPs have made with their LPs and in line with their investment process with associated protocols as shared with LPs as part of their fundraising activities. At the same time, GPs should recognize that they have a duty to their Investees as well and have to work throughout the investment period to build financial and non-financial value within their portfolio companies through active engagement throughout the investment period.

PEVCA's Members are required to act in the following manner to ensure continued trust and to support the augmentation of this asset class within Nigeria:

- a. GPs are required to act with integrity towards their portfolio companies as well as their other stakeholders.
- b. Further, they must bring to bear their deep expertise in the development of the portfolio company's long and short-term strategies and build sustainability and value in each business.
- c. Work with portfolio companies to ensure that they conduct their business with the highest professional standards and integrity throughout the investment period, through the development of policies and practices including, but not limited to, Code of Conduct, strong corporate governance and anti-bribery and corruption policies.
- d. GPs will require their Investee companies to be accountable, transparent and timely in their accounts and reporting of incidents which have occurred as part of the Investee's operations.

## **7. Conflicts of Interest**

PEVCA, its Members and all associated employees and representatives are always required to act in a manner consistent with the best interests of PEVCA, their companies and shareholders. Compensation, gifts, benefits and considerations that compete with an individual's duties can

## PEVCA CODE OF CONDUCT & PROFESSIONAL STANDARDS

reasonably be expected to create a conflict of interest. Even the appearance of a conflict of interest where none exists can be damaging and should be avoided.

In the event an employee of PEVCA or its Members may be in a position of potential conflict (whether personal, professional or an associated party) which will impact their ability to effectively carry out their fiduciary duties with integrity, they must:

- Immediately inform the relevant authority and provide the circumstances surrounding this actual or perceived conflict within seven (7) days of becoming aware of the conflict.
- Absent themselves from meetings and engagements relating to the conflict of interest immediately upon becoming aware of the conflict and continue doing so until the end of the engagement or conflict.

Member organisations are encouraged to adopt a practice of annual disclosure on conflicts with respect to their own employees.

Employees of PEVCA are required to complete an Annual Conflicts of Interest Disclosure which should be submitted to the Ethics and Professional Standards Sub-Committee no later than 30 days of the end of a fiscal year.

### **7.1 PEVCA Board Director**

A conflict of interest exists when a PEVCA Board Director has a personal or financial interest which may directly or indirectly conflict with the duty that they owe to the PEVCA. Potential conflicts include, but are not limited to:

- a. Interest in a Member organisation;
- b. Relationship with a Member's employee; and,
- c. Board position within a Member organisation.

Board members are required to declare any interests relevant to the meeting's agenda at the start of every Board meeting and record them in the register of interests on an ongoing

basis. Board members are also to provide updates on declared interests as the circumstances relating to such interests evolve. During specific discussions, directly or indirectly related to a potential or actual interest of a Member, they must declare their interests to the Board Chair before any discussion on the item takes place and withdraw from any discussion or vote related to this, as the Board Chair considers appropriate.

A conflict of interests may be authorised if:

- a. The unconflicted Board Directors consider it in the interests of PEVCA to do so based on the circumstances; or
- b. The conflict has been previously recorded in the register of interests.

## **7.2 Insider Information/ Trading**

PEVCA applies the highest ethical standards to avoid insider trading, market manipulation and the appearance thereof by itself as well as its Members. PEVCA takes a zero-tolerance approach towards this. Any individual within PEVCA or its Member companies who has access to confidential/ insider information is prohibited from using or sharing said information for gain outside of the execution of their duties. Please note that all non-public information is classified as confidential information.

## **7.3 Gifts and Entertainment**

PEVCA recognises that gifts and entertainment are intended to create goodwill and foster good working relationships between parties. The exchange of meals or entertainment, as a normal business courtesy, is common.

However, PEVCA and its Members are **prohibited from soliciting or accepting**, directly or indirectly, any gifts, entertainment, hospitality or other benefits of any kind from a third party as this can be deemed to influence the objectivity of the individual in a decision making process. This excludes token **branded** items often distributed at industry and business events.

In the event a gift is provided, these need to be *de minimis* and internally disclosed as per PEVCA or Member's compliance policies to the appropriate authority.

Entertainment includes events such as meals, shows, concerts, theatre events, sporting events, or similar types of entertainment. Gifts include all items received from a service provider or counterparty to an employee or associated parties such as family members.

## **8. Performance Measurement and Reporting**

Members shall endeavour, to be pro-active in developing systems and processes (and training) to deliver high quality reports, as required to meet their contractual reporting obligations. Where appropriate, Members are to adopt standards for measuring and reporting investment performance that are in line with best practice valuation guidelines.

The Association requires its Members to adopt a culture of responsibility and accountability in their reporting obligations:

- a. Members should have regard for reporting obligations, timelines and industry best practices.
- b. Members should pro-actively engage with their investors and provide transparency in their reporting processes and practices as per their mandate/ requirements.
- c. Members should ensure robust and effective communication procedures and protocols are in place within fund vehicles and portfolio companies for timely and accurate reporting to management and boards.
- d. Member organisations should regularly update their websites, subject to confidentiality and commercial sensitivity. At a minimum, the following information should be available:
  - i. Information about the business and brief details on its strategic regions

- ii. Biographies of the senior executives and their positions within the organisation; and,
  - iii. A high-level description of their portfolio companies.
- e. Members should have a clearly articulated investment strategy, provide transparency in reporting of their investment outcomes, and have internal management, reporting systems and processes which are consistent with their primary responsibility to act in the best interests of their LPs.

## **9. Legal Agreements**

PEVCA Members should negotiate in good faith and acknowledge that a variety of matters should be considered when negotiating an investment to ensure that the legal documents reflect the commercial terms required by the GP. The GP should consider using local legal advice in the appropriate manner for recording what has been agreed.

During negotiations, there are a number of factors which should be considered such as local legal and regulatory requirements, taxation and structural considerations. The legal agreement will need to fully reflect all aspects of the transaction including but not limited to, the stake to be acquired, capitalisation tables, pre-emptive rights and may include other rights such as drag along and tag along rights. The agreement will also take account of the commercial terms that the GP has agreed with other shareholders (if any) and the portfolio company.

## **10. Media Engagement**

PEVCA recognizes cooperation with the media can enhance its reputation and awareness of its mission. PEVCA and its Members are required to provide an accurate representation of the facts when engaging with members of the media and should not act improperly to influence public perceptions of its competitors or other businesses.

An individual should be identified within PEVCA to handle media engagements and dissemination of information to the media, when needed. In the event that the media has contacted an individual other than the designated spokesperson, that individual should immediately engage the designated spokesperson to discuss the way forward. In the event that the media misconstrues information supplied by PEVCA or its Members, PEVCA or that Member has a duty to request that the correct information is published in a prominent manner.

### **11. Industry Surveys**

PEVCA will from time to time distribute surveys to capture the performance and status of the Nigerian PE and VC industry. These surveys are intended to be an objective measurement of the industry to justify the performance of this asset class – both technical and otherwise. The perception of private equity and venture capital as an asset class is of vital importance to the industry, at both a wholesale and retail level. Members are strongly encouraged to complete such surveys and to encourage other Members to do so.

### **12. Advertising**

PEVCA and its Members will comply with all regulatory requirements and meet applicable professional and ethical standards when placing advertisements or issuing marketing materials for their products or services. This will include the use of appropriate disclaimers and assumptions on historical and future performance of products.

### **13. Disclosure & Whistleblowing**

#### **14.1 Disclosure & Whistleblowing Mechanism for PEVCA Members**

PEVCA requires all its Members to develop a Disclosure & Whistleblowing Policy (“Whistleblowing Policy”) in accordance with the Code of Corporate Governance for Finance Companies in Nigeria (“Corporate Governance Code”) released by Central Bank of Nigeria

(“CBN”) in 2018. The Corporate Governance Code includes guidance on whistleblowing which have been developed to encourage stakeholders to report unethical conduct and illegal violations relating to business conduct and practices by employees, management, directors, and other stakeholders of an institution.

Members are required to post their Disclosure & Whistleblowing Policy along with associated numbers and emails on their websites. Members are also required to share the numbers and emails for PEVCA’s Whistleblowing Policy and, where applicable, the CBN’s whistleblowing hotline. In addition, where applicable, select PEVCA Members are required to submit returns on the compliance with the whistleblowing policy on a semi-annual basis to the Director, Other Financial Institutions Supervision Department of the CBN no later than seven (7) days after the end of the relevant period.

For those regulated by other governing bodies, Members are expected to adhere strictly to the whistleblowing guidelines laid out by their equivalent regulator. There are no exemptions to these requirements.

### **14.2 PEVCA’s Disclosure & Whistleblowing Mechanism**

PEVCA is committed to supporting the prevention of corruption within the Nigerian economy. Corrupt business practices affect the integrity and effectiveness of the economic system. Stakeholders, such as employees, are usually the first to recognize wrongdoings in the workplace and it is essential to empower them to raise these wrongdoings without fear of reprisals.

Disclosure and whistleblowing policies can help businesses detect and prevent bribery and corruption in commercial transactions and also enable authorities to identify active corrupt practices being committed by companies. In line with the CBN’s guidance on whistleblowing, PEVCA has developed a Disclosure & Whistleblowing Policy which it has made known to its employees and all its Members with assurance of confidentiality to encourage stakeholders

to report to PEVCA directly and/or to the CBN and the Securities and Exchange Commission (Nigeria). This Policy is applicable to PEVCA's activities and those of its Members.

#### **14.2.1 PEVCA's Disclosure & Whistleblowing Policy**

PEVCA's Disclosure & Whistleblowing Policy is a mechanism which enables stakeholders, including members of the public, to raise concerns relating to PEVCA, its Members and partners in a confidential manner. A [whistleblowing hotline](#) is provided by an independent company which provides 24/7 toll-free numbers to report concerns in their preferred language. An email address and website form are also available for written submissions.

The Executive Secretary of the Board and a dedicated member of the Ethics and Professional Standards Sub-Committee will handle all concerns raised unless this concern relates to them. In this case, the whistleblowing report will be shared directly with the Chair of the Ethics and Professional Standards Sub-Committee to mitigate any conflicts of interest.

PEVCA's Whistleblowing Policy will ensure that:

- a. All concerns raised will be treated fairly and appropriately.
- b. Any individual making a disclosure will retain anonymity unless they agree otherwise. However, the individual making the report is encouraged to disclose contact details when filing a report so that PEVCA can reach out for additional details to fully address the concern.
- c. Any individual raising a concern has the right to be made aware of how any investigation initiated is being conducted and the progress made to date.
- d. PEVCA does its best to protect an individual making a report to ensure they will not face reprisals or be victimised as a result of their brave decisions to report corrupt and unethical business practices. Any Member organisation

## PEVCA CODE OF CONDUCT & PROFESSIONAL STANDARDS

who takes reprisal actions will be removed as a Member immediately with an investigation to follow.

- e. All information provided is handled with sensitivity and confidentiality.
- f. Any concern or report received will be acknowledged in a timely and open manner. PEVCA will respond within a reasonable timeframe and work proactively to address their concerns.
- g. In the event a complaint made in good faith pursuant to this policy is confirmed to be unsubstantiated or without merit following an investigation, no action will be taken against the reporting individual.
- h. All complaints/ concerns are retained along with the investigation and resolution in line with PEVCA's document retention policy.
- i. The Ethics and Professional Standards Sub-Committee will undertake an annual review of all complaints, investigations and remedial actions taken in connection with the complaint.
- j. This Whistleblowing Policy will be reviewed annually to ensure its ongoing effectiveness in promoting accountability and addressing unethical business practices.

The process following the receipt of a report is outlined below:

- a. The individual making the report will use the whistleblowing hotline to make a complaint which may be in writing and in the form of a statement or by leaving a message on the hotline, detailing the particulars relating to the complaint and further, as far as possible, include any documentation in support of the complaint.
- b. Confirmation of receipt of report will be provided to the individual who made the report if contact details are provided or report is submitted via email within 24 hours.

## PEVCA CODE OF CONDUCT & PROFESSIONAL STANDARDS

- c. The Executive Secretary along with the Board Director on the Ethics and Professional Standards Sub-Committee will then make an assessment on whether the concern should be brought to the attention of the Board.
- d. For situations that arise where it is difficult to determine the proper course of conduct, Board Directors can establish a sub-committee to investigate the matter.
- e. If the misconduct warrants the involvement of the law enforcement unit, while waiting for the outcome of the case, the Board can take the following steps:
  - i. Suspend their assessment to allow the law to take its course
  - ii. Issue a neutral media position
  - iii. Suspend the Director or the Member from any activities that involve PEVCA
  - iv. If the misconduct is at the company level – their Membership will be suspended until such time that the matter is resolved

All reports under this Policy may be made directly to any of the following:

**PEVCA Whistleblowing Hotline:**

**Email: TBD**

**Telephone: TBD**

## **14. Commitment to the Code of Conduct**

All Members of PEVCA are encouraged to develop their own Code of Conduct aligned with PEVCA's Code and implement it across their operations. All employees of PEVCA and its Members are to be made aware of the Code of Conduct and their responsibilities. PEVCA Members are also required to include their company-level Code of Conduct in legal documentation, such as shareholder's agreements, as part of their investment into portfolio companies.

A proactive approach is encouraged with respect to communications of non-compliance and incidents as they will enable PEVCA to manage risks to itself, other Members of PEVCA and the industry. Additionally, these serve as learnings to be leveraged and help in the augmentation and effective application of the Code.

PEVCA Members are required to submit an annual declaration confirming their commitment to the Code of Conduct and Professional Standards. This declaration will be signed by the CEO of the Member company and ideally approved or ratified by its Board.

## **15. Review of the Code of Conduct**

The code of Conduct and Professional Standards will be reviewed and updated on an annual basis, or earlier, as needed, by the Sub-Committee on Ethics and Professional Standards.



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We foster an enabling environment for the Nigerian PE-VC ecosystem to thrive.

<https://pevcang.org/>

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